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ACQUISITION STUDY FOR FIRST OF CHICAGO

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Acquisition study for First of

Chicago

BORROWER'S NAME

- Close attention to the needs of customers.
 - Upgraded services that included on-line capabilities.
 - A variety of services that increased the revenue per customer. The additional services included ATM and POS networks, PC's at customer locations to provide electronic reporting or cash management services and asset/liability modeling.
- o Not all the firms who were identified as possible candidates may be willing to be acquired. This topic was not introduced during interviews.

II. MARKETPLACE ANALYSIS

A. Reduced Number of Independent Processors

1. Acquisition of Independents

- o INPUT contacted over 70 firms in our CAMP directory that had once been independent processors. During the last one to two years, many of these firms had been acquired by large processing companies or left the processing business. The firms that left the processing business had usually continued to offer other computing services such as software packages or turnkey systems.
- o When processing firms are acquired by large companies, they still might be acquisition candidates depending on the time period that has elapsed since acquisition and current business strategies of the acquiror. Firms with a large volume of processing have recently thought of divesting some or all of their processing business. EDS recently sold processing business in Oklahoma to a smaller firm.

2. Customers Who Have Moved In-House

- o Many customers of processing services have moved their processing in-house. The availability of lower cost computers and software packages to handle many banking tasks have increased the movement in-house during the last two years.
- o Despite this movement, processing work has not contracted, possibly because there are new applications being performed for customers and customer volume for some older applications has increased.

B. Types of Acquisition Opportunities

- o The types of acquisition opportunities that have been identified include firms with:
 - A volume of business over \$3 million annually....\$ VOL (code to be used in a table in Section III A).
 - Profitable business....PROF.
 - Upgraded applications for retail banking....UPGRAD.
 - The use of PC's on customer premises for reporting and processing functions....PC.
 - Other capabilities that would be sold to processing clients including pricing services, the ability to handle ATM networks and processing to support asset liability models or customer profitability calculations....OTHER.
 - A location in or near Chicago...CHI.
- o Firms that were selected had one or more of the above characteristics. A table in Section III-A will list the characteristics of each firm that has been identified.



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IV. Next Step

- o INPUT would recommend that a more extensive study be made of the capabilities of the companies that have been mentioned.
- o Additional firms that have come to our attention in the last few days which should be investigated as well.
- o The characteristics of interest could be defined in two ways:
 - A survey of major bank processors could be made to determine what these firms now feel is important for a successful bank processing service.
 - An analysis of current bank processing could be made to determine what mix of services and capabilities, marketing strategy and other factors is utilized by successful firms.
- o The next step could be initiated as Phase II of this project or as an additional task that First of Chicago and INPUT can define at this time.

ACQUISITION CANDIDATES

COMPANY NAME:

LOCATION:

CONTACT:

PHONE NUMBER:

ANNUAL GROSS:

PROFITABILITY:

PERCENT OF GROSS IN BANKING:

OTHER BUSINESS:

TYPE OF BANKING SERVICE:

STRENGTHS OR FEATURES:

BANKS SERVED:

NUMBER, TYPE, SIZE:

EQUIPMENT:

NUMBER OF PEOPLE:

OTHER:

IIIB. ACQUISITION CANDIDATES

FIRM	CHARACTERISTIC (SEE II.B)					
	\$ VOL	PROF	UPGRADE	PC	OTHER	CHI
ADVANCE DATA			X			
AMERICAN INFO.		*	X		X	X
ANACOMP (IN PART)	X	?	X		X	
ATM NETWORK		X			X	X
BANKAMATION		X				
BRIDGE	X	X		X	X	
CITIZENS	X	X				
CITIZENS FIN'L	X	X	X		X	
COMMERCIAL	X	X	X	X	X	X
CTS SERVICES INC.	X	X				
DATA ONE	X	X	X		X	
DECIMUS CHI REG	X		?	X	X	X
FIRSTAR	X	X	X		X	
FIRST DATA	X	X	X		X	
LYNCH		X				X
MID-CONT.	X	X	X		X	
NAT'L COMP. NET	X	X	X		X	
OHIO VALLEY	X	X	X		X	
SUMMIT BANK		X				
UNITED	X	X			X	
WARRINGTON	X	X			X	

*BREAKEVEN DUE TO INVESTMENT IN SOFTWARE

COMPANY NAME: Advance Data

LOCATION: Jonesboro, Ariz.

CONTACT: Dale May, Pres.

PHONE NUMBER: 501 932-8341

ANNUAL GROSS: \$ 1 million

PROFITABILITY: yes

PERCENT OF GROSS IN BANKING: 70%

OTHER BUSINESS: Financial

TYPE OF BANKING SERVICE: Retail banking applications

STRENGTHS OR FEATURES: On-line savings, checking

BANKS SERVED: 9 Commercial

NUMBER, TYPE, SIZE:

EQUIPMENT: IBM 4331

NUMBER OF PEOPLE:

OTHER:

COMPANY NAME: American Information

LOCATION: Halsted at 17th, Chicago Heights

CONTACT: Ken De Marco, VP Product Plan. & Customer Service

PHONE NUMBER: 312 755-3770

ANNUAL GROSS: \$ 2.7 million. (large growth recently)

PROFITABILITY: At breakeven due to investment in new software

PERCENT OF GROSS IN BANKING: 80%

OTHER BUSINESS: Miscel., Financial Applic.

TYPE OF BANKING SERVICE: Retail banking applicat. primarily

STRENGTHS OR FEATURES: Reprogrammed to on-line in 83.
Good C/F. Customer profitability and asset/liability applications. On-line teller terminals and ATM's.
Marketing applications

BANKS SERVED: 14 commercial banks. \$75-400 million asset size

NUMBER, TYPE, SIZE:

EQUIPMENT: Dual 370/158

NUMBER OF PEOPLE: 50

OTHER: Have taken 6 of Wellman's customers

COMPANY NAME: Anacomp Financial Services Div.
Midwest Centers

LOCATION: Greenfield, Ind. (comm. banks and S&L's)
Dayton, Ohio Flint, Mich. Southfield, Mich.
Indianap

CONTACT: O. DeSoti E.V.A.

PHONE NUMBER: Credit union 5

ANNUAL GROSS:

PROFITABILITY:

PERCENT OF GROSS IN BANKING:

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail bank applications

STRENGTHS OR FEATURES: On-line ATM network
Facility management services
Very good customer info serv. CI/RF

BANKS SERVED: Commercial, S&L and credit unions

NUMBER, TYPE, SIZE:

EQUIPMENT: NCR criterion for comm. banks and
S&L's. Credit Union work is performed
on Burroughs

NUMBER OF PEOPLE:

COMPANY NAME: Bankamation Inc.

LOCATION: Redmond, Ohio

CONTACT: J. Whitworth. Exec. V.P. Spoke To Gary Geeber,
Vice Pres

PHONE NUMBER: 216 925 9040

ANNUAL GROSS: Over \$1 million

PROFITABILITY: Yc's

PERCENT OF GROSS IN BANKING: 100%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail banking applicat.

STRENGTHS OR FEATURES: On-line inquiry

BANKS SERVED: 9 Commercial

NUMBER, TYPE, SIZE:

EQUIPMENT: Burroughs 1800 and 1900 systems

NUMBER OF PEOPLE: 20

COMPANY NAME: Citizens National Bank

LOCATION: Decatur Illinois

CONTACT: W. Irwin, Director of services

PHONE NUMBER: 217 424 2200

ANNUAL GROSS: Over \$ 5 million

PROFITABILITY: Yes

PERCENT OF GROSS IN BANKING: 100%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail banking applications
Savings, Checking, time dep.

STRENGTHS OR FEATURES: Some on-line

BANKS SERVED: 80 Commercial
and Savings & Loan

NUMBER, TYPE, SIZE:

EQUIPMENT: Use bank equipt.

NUMBER OF PEOPLE:

OTHER: 2 Centers

COMPANY NAME: Citizens Financial Corp.

LOCATION: Indep. Ohio

CONTACT: Jas. Cozzens, Pres.

PHONE NUMBER: 216 447-1740

ANNUAL GROSS: \$ 8 million (estimate)

PROFITABILITY: yes

PERCENT OF GROSS IN BANKING: 100%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail banking including mortgage processing
General Ledger

STRENGTHS OR FEATURES: On-line
PC's will be introduced for
customer reporting

BANKS SERVED: over 70 Commercial and Savings & Loan

NUMBER, TYPE, SIZE:

EQUIPMENT: 4 370-158's 2 have on-line terminals

NUMBER OF PEOPLE:

OTHER:

> 1st ch

COMPANY NAME: COMMERCIAL RESOURCES

LOCATION: 400 So. Main St., Naperville, Illinois

CONTACT: Al Schuster, Pres.

PHONE NUMBER: 312 357 1800

ANNUAL GROSS: 3,700,000

PROFITABILITY: Over 15%

PERCENT OF GROSS IN BANKING: 99%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Mostly retail banking applications.

STRENGTHS OR FEATURES: Have upgraded 70% of retail to on-line
support PC's at corporate clients of banksBANKS SERVED: 35 instit. mostly commercial banks
(\$200 million and under)
some S&L's and mortgage cos.

NUMBER, TYPE, SIZE:

EQUIPMENT: Two Burroughs 2930's

NUMBER OF PEOPLE:

COMPANY NAME:

7, 15th ch
Data One Inc

LOCATION:

Knoxville, Tenn.

CONTACT:

Wendell Holliday, Pres.
Joe Richardson, EVP

PHONE NUMBER:

615 237 2035

ANNUAL GROSS:

\$ 5 million

(estimate)

PROFITABILITY:

"comfortable"

PERCENT OF GROSS IN BANKING:

99%

OTHER BUSINESS:

TYPE OF BANKING SERVICE:

Retail banking applications

STRENGTHS OR FEATURES:

On-line. ATM network service.

Plan to sell more wholesale applications, facility management service, and software to aid banks to move in-house. Have some home banking.

BANKS SERVED:

58 commercial \$750 million and smaller.

NUMBER, TYPE, SIZE:

EQUIPMENT:

2 IBM 3031

NUMBER OF PEOPLE:

95 people

4 locations

COMPANY NAME: Decimus Chicago Center

LOCATION: Chicago

CONTACT:

PHONE NUMBER:

ANNUAL GROSS: \$ 3 million

PROFITABILITY:

PERCENT OF GROSS IN BANKING: 100%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail applications.

STRENGTHS OR FEATURES: Some on-line applications. ATM services.
PC's at customers for reporting
and running models

BANKS SERVED: 35 - 50

NUMBER, TYPE, SIZE:

EQUIPMENT: 2 - 370/158

NUMBER OF PEOPLE:

OTHER:

COMPANY NAME: *Lynch Data Processing*

LOCATION: *Chicago*

CONTACT: *J Lynch* *talked to staff*

PHONE NUMBER: *312 639 2351*

ANNUAL GROSS: *\$ 500,000*

PROFITABILITY: *profitable*

PERCENT OF GROSS IN BANKING: *40%*

OTHER BUSINESS: *40% manu: 20% distrib..*

TYPE OF BANKING SERVICE: *Retail banking applicat.*

STRENGTHS OR FEATURES:

BANKS SERVED: *5 Commercial \$200 million*

NUMBER, TYPE, SIZE:

EQUIPMENT:

NUMBER OF PEOPLE:

COMPANY NAME: Mid-Continent Computer Services Inc
(sub of MCA)

LOCATION: Englewood, Col.

CONTACT: Peter Lee, Pres

PHONE NUMBER: 303 771 9000

ANNUAL GROSS: About \$7 mill. (Banking portion)

PROFITABILITY: Yes

PERCENT OF GROSS IN BANKING: About half

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail banking applications.

STRENGTHS OR FEATURES:

BANKS SERVED: 157 Savings and Loans

NUMBER, TYPE, SIZE:

EQUIPMENT: 2 Burroughs 2800 + Burroughs 4900
5 2900
2 4200

NUMBER OF PEOPLE:

OTHER:

COMPANY NAME: CTS Services Inc.

LOCATION: Dallas, Texas

CONTACT: Carl Wade, former pres.

PHONE NUMBER: 214 637-3344

ANNUAL GROSS: \$3 million

PROFITABILITY: yes

PERCENT OF GROSS IN BANKING: 30-40

OTHER BUSINESS: Manufacturing - Government
Transportation
Distribution

TYPE OF BANKING SERVICE: Models, general wholesale applicat.

STRENGTHS OR FEATURES:

BANKS SERVED: 6 commercial, larger

NUMBER, TYPE, SIZE:

EQUIPMENT: 2 Honeywell Dual 27
1 Honeywell Level 6

NUMBER OF PEOPLE: 70

COMPANY NAME: Summit Bank

LOCATION: Wayne, Ind.

CONTACT: John Peden, Asst. Mgr. Data Serv.

PHONE NUMBER: 219 461 7761

ANNUAL GROSS: 500,000

PROFITABILITY: Yes

PERCENT OF GROSS IN BANKING: 100%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail banking applic.

STRENGTHS OR FEATURES:

BANKS SERVED: 30 Commercial and 54 L

NUMBER, TYPE, SIZE:

EQUIPMENT: Bank center is utilized

NUMBER OF PEOPLE:

OTHER:

COMPANY NAME: Bankamation Inc.

LOCATION: Redmond, Ohio

CONTACT: J. Whitworth. Exec. V.P. spoke To Gary Geeser,
Vice Pres

PHONE NUMBER: 216 925 9040

ANNUAL GROSS: Over \$1 million

PROFITABILITY: Yes

PERCENT OF GROSS IN BANKING: 100%

OTHER BUSINESS:

TYPE OF BANKING SERVICE: Retail banking application

STRENGTHS OR FEATURES: On-line inquiry

BANKS SERVED: 9 Commercial

NUMBER, TYPE, SIZE:

EQUIPMENT: Burroughs 1800 and 1900 systems

NUMBER OF PEOPLE: 20

OTHER: 3 banks own most of stock

